



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2004
OF THE CONDITION AND AFFAIRS OF THE

Memphis Managed Care Corporation

NAIC Group Code 0000 (Current Period) , NAIC Company Code 00000 (Prior Period) Employer's ID Number 621539163

Organized under the Laws of Tennessee , State of Domicile or Port of Entry Tennessee

Country of Domicile US

Licensed as business type:

Life Accident and Health [] Property/Casualty [] Hospital, Medical and Dental Service or Indemnity []
Dental Service Corporation [] Vision Service Corporation [] Other []
Health Maintenance Organization [X] Is HMO Federally Qualified? Yes (X) No ()

Incorporated July 7, 1993 Commenced Business January 1, 1994

Statutory Home Office 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 1407 Union Ave, Memphis, Tennessee 38104 (Street and Number, City or Town, State and Zip Code)
901-725-7100 (Area Code) (Telephone Number)

Internet Website Address www.mmcc-tlc.com

Statutory Statement Contact Art Ansert (Name) 901-725-7100 (Area Code) (Telephone Number) (Extension)
AAnsert@mmcc-tlc.com (E-Mail Address) (Fax Number)

Policyowners N/A Relations (Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)
Contact and Phone Number

OFFICERS

1. Al King (President)
2. Bruce Steinhauer, Dr. (Secretary)

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

STEVEN BURKETT
BRENDA JETTER
ANDY SPOONER, DR
DENNIS SCHABERG, DR
BARRY FOWLER
STUART POLLY, DR
JEFF BRANDON
AL KING
BRUCE STEINHAUER, DR

State of Tennessee }
County of Shelby } SS

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Subscribed and sworn to before me this 28 day of February, 2005
NOTARY PUBLIC (Seal)
MY COMMISSION EXPIRES AUG. 1, 2007

Bruce Steinhauer, Dr.
Secretary

a. Is this an original filing? Yes () No (X)
b. If no: 1. State the amendment number 1
2. Date filed March 28, 2005
3. Number of pages attached 173

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Columns 1 minus 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	3,203,495		3,203,495	2,613,127
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)				
4.2 Properties held for the production of income (less \$ encumbrances)				
4.3 Properties held for sale (less \$ encumbrances)				
5. Cash (\$ 18,172,805 , Schedule E - Part 1) , cash equivalents (\$, Schedule E - Part 2) and short-term investments (\$, Schedule DA)	18,172,805		18,172,805	10,318,148
6. Contract loans (including \$ premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivable for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Line 1 to Line 9)	21,376,300		21,376,300	12,931,275
11. Investment income due and accrued	33,315		33,315	39,288
12. Premiums and considerations:				
12.1 Uncollected premiums and agents' balances in the course of collection				
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)				
12.3 Accrued retrospective premiums				
13. Reinsurance:				
13.1 Amounts recoverable from reinsurers				123,077
13.2 Funds held by or deposited with reinsured companies				
13.3 Other amounts receivable under reinsurance contracts				
14. Amounts receivable relating to uninsured plans				
15.1 Current federal and foreign income tax recoverable and interest thereon				
15.2 Net deferred tax asset				
16. Guaranty funds receivable or on deposit				
17. Electronic data processing equipment and software	976,599	976,599		
18. Furniture and equipment , including health care delivery assets (\$)	149,992	149,992		
19. Net adjustment in assets and liabilities due to foreign exchange rates				
20. Receivables from parent , subsidiaries and affiliates	381,112		381,112	51,069
21. Health care (\$) and other amounts receivable	4,352,007		4,352,007	
22. Other assets nonadmitted				
23. Aggregate write-ins for other than invested assets	442,019	442,019		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	27,711,344	1,568,610	26,142,734	13,144,709
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. TOTALS (Line 24 and Line 25)	27,711,344	1,568,610	26,142,734	13,144,709
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)				
2301. Prepaid Exp	345,019	345,019		
2302. Other	97,000	97,000		
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	442,019	442,019		

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ reinsurance ceded)				150,000
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	4,886,796		4,886,796	1,337,029
10.1 Current federal and foreign income tax payable and interest thereon (including \$on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$current) and interest thereon \$ (including \$current)				
15. Amounts due to parent, subsidiaries and affiliates	137,000		137,000	
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$authorized reinsurers and \$ unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured accident and health plans				
21. Aggregate write-ins for other liabilities (including \$current)				
22. Total liabilities (Line 1 to Line 21)	5,023,796		5,023,796	1,487,029
23. Common capital stock	X X X	X X X		
24. Preferred capital stock	X X X	X X X		
25. Gross paid in and contributed surplus	X X X	X X X	3,699,498	3,699,818
26. Surplus notes	X X X	X X X		1,000,000
27. Aggregate write-ins for other than special surplus funds	X X X	X X X		
28. Unassigned funds (surplus)	X X X	X X X	17,419,440	8,318,180
29. Less treasury stock , at cost:				
29.1 shares common (value included in Line 23 \$)	X X X	X X X		
29.2 shares preferred (value included in Line 24 \$)	X X X	X X X		
30. Total capital and surplus (Line 23 to Line 28 minus Line 29)	X X X	X X X	21,118,938	13,017,998
31. Total liabilities, capital and surplus (Line 22 and Line 30)	X X X	X X X	26,142,734	14,505,027
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Line 2101 through Line 2103 plus Line 2198) (Line 21 above)				
2701.	X X X	X X X		
2702.	X X X	X X X		
2703.	X X X	X X X		
2798. Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799. Totals (Line 2701 through Line 2703 plus Line 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	2,369,087	2,314,367
2. Net premium income (including \$ non-health premium income)	X X X		
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Line 2 to Line 7)	X X X		
Hospital and Medical:			
9. Hospital/medical benefits			(3,028,705)
10. Other professional services			(189,508)
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			857
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments, and bonus amounts			
16. Subtotal (Line 9 to Line 15)			(3,217,356)
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Line 16 minus Line 17)			(3,217,356)
19. Non-health claims			
20. Claims adjustment expenses, including \$ cost containment expenses		3,083,974	2,976,744
21. General administrative expenses		(10,408,590)	(12,135,658)
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Line 18 through Line 22)		(7,324,616)	(12,376,270)
24. Net underwriting gain or (loss) (Line 8 minus Line 23)	X X X	7,324,616	12,376,270
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		247,606	105,122
26. Net realized capital gains (losses)			
27. Net investment gains (losses) (Line 25 plus Line 26)		247,606	105,122
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses		783,223	1,100,424
30. Net income or (loss) before federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29)	X X X	8,355,445	13,581,816
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Line 30 minus Line 31)	X X X	8,355,445	13,581,816
DETAILS OF WRITE-INS			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)	X X X		
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above)			
2901.		783,223	1,100,424
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above)		783,223	1,100,424

STATEMENT OF REVENUE AND EXPENSES (continued)

CAPITAL AND SURPLUS ACCOUNT	1	2
	Current Year	Prior Year
33. Capital and surplus prior reporting year	13,017,648	5,137,630
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
34. Net income or (loss) from Line 32	8,355,445	13,581,816
35. Change in valuation basis of aggregate policy and claims reserves		
36. Net unrealized capital gains and losses		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	755,814	48,838
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes	(1,000,000)	(5,750,636)
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Tranferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	(10,000)	
48. Net change in capital and surplus (Line 34 to Line 47)	8,101,259	7,880,018
49. Capital and surplus end of reporting year (Line 33 plus Line 48)	21,118,907	13,017,648
DETAILS OF WRITE-INS		
4701.	(10,000)	
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above)	(10,000)	

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance		123,077
2. Net investment income	261,394	105,122
3. Miscellaneous income	625,329	1,100,424
4. Total (Line 1 through Line 3)	886,723	1,328,623
5. Benefit and loss related payments		101,899
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(11,920,324)	(7,970,839)
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ net tax of capital gains (losses)		
10. Total (Line 5 through Line 9)	(11,920,324)	(7,868,940)
11. Net cash from operations (Line 4 minus Line 10)	12,807,047	9,197,563
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds		
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Line 12.1 through Line 12.7)		
13. Cost of investments acquired (long-term only):		
13.1 Bonds		
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		7,815
13.7 Total investments acquired (Line 13.1 through Line 13.6)		7,815
14. Net increase (decrease) in policy loans and premium notes	14,253	
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(14,253)	(7,815)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(1,009,800)	(5,750,636)
16.2 Capital and paid in surplus, less treasury stock		(200)
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)		(7,367,249)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	(1,009,800)	(13,118,085)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS		
18. Net change in cash and short-term investments (Line 11 plus Line 15 plus Line 17)	11,782,994	(3,928,337)
19. Cash and short-term investments:		
19.1 Beginning of year	6,389,811	10,318,148
19.2 End of year (Line 18 plus Line 19.1)	18,172,805	6,389,811
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.001		
20.002		
20.003		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income													
2. Change in unearned premium reserves and reserve for rate credit													
3. Fee-for-service (net of \$ medical expenses)													XXX
4. Risk revenue													XXX
5. Aggregate write-ins for other health care related revenues													XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
7. Total revenues (Line 1 through Line 6)													
8. Hospital/medical benefits													XXX
9. Other professional services													XXX
10. Outside referrals													XXX
11. Emergency room and out-of-area													XXX
12. Prescription drugs													XXX
13. Aggregate write-ins for other hospital and medical													XXX
14. Incentive pool, withhold adjustments, and bonus amounts													XXX
15. Subtotal (Line 8 through Line 14)													XXX
16. Net reinsurance recoveries													XXX
17. Total hospital and medical (Line 15 minus Line 16)													XXX
18. Non-health claims (net)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ cost containment expenses	3,083,974							XXX	XXX	XXX	XXX	XXX	
20. General administrative expenses	(10,408,590)							(10,408,590)					
21. Increase in reserves for accident and health contracts													XXX
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Line 17 through Line 22)	(7,324,616)							(7,324,616)					
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	7,324,616							7,324,616					
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page													XXX
0599. Total (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)													XXX
0601. Other.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. Investmet Income		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0699. Total (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page													XXX
1399. Total (Line 1301 through Line 1303 plus Line 1398) (Line 13 above)													XXX

UNDERWRITING AND INVESTMENT EXHIBIT

Part 1 - Premiums

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Column 1 plus Column 2 minus Column 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare	NONE			
7. Title XIX - Medicaid				
8. Stop loss				
9. Disability income				
10. Long-term care				
11. Other health				
12. Health subtotal (Line 1 through Line 11)				
13. Life				
14. Property/casualty				
15. Totals (Line 12 to Line 14)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct													
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net													
2. Paid medical incentive pools and bonuses													
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct													
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net													
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct													
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net													
5. Accrued medical incentive pools and bonuses, current year													
6. Amounts recoverable from reinsurers December 31, current year													
7. Claim liability December 31, prior year from Part 2A:													
7.1 Direct													
7.2 Reinsurance assumed													
7.3 Reinsurance ceded													
7.4 Net													
8. Claim reserve December 31, prior year from Part 2D:													
8.1 Direct													
8.2 Reinsurance assumed													
8.3 Reinsurance ceded													
8.4 Net													
9. Accrued medical incentive pools and bonuses, prior year													
10. Amounts recoverable from reinsurers December 31, prior year													
11. Incurred benefits:													
11.1 Direct													
11.2 Reinsurance assumed													
11.3 Reinsurance ceded													
11.4 Net													
12. Incurred medical incentive pools and bonuses													

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct													
1.2 Reinsurance assumed													
1.3 Reinsurance ceded													
1.4 Net													
2. Incurred but Unreported:													
2.1 Direct													
2.2 Reinsurance assumed													
2.3 Reinsurance ceded													
2.4 Net													
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct													
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net													
4. TOTALS:													
4.1 Direct													
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net													

NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Column 1 plus Column 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental Only						
4. Vision Only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Line 1 to Line 8)						
10. Other non-health						
11. Medical incentive pools, and bonus amounts						
12. Totals (Line 9 to Line 11)						

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000	66,406,314	13,486,817	406,888	755	
3. 2001	X X X	108,800,556	44,012,516	230,652	
4. 2002	X X X	X X X	89,532,241	1,020,822	
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
	1 2000	2 2001	3 2002	4 2003	5 2004
1. Prior					
2. 2000		13,588,411	406,888	755	
3. 2001	X X X	146,590,261	44,012,516	230,652	
4. 2002	X X X	X X X	89,532,241	102,232,201	
5. 2003	X X X	X X X	X X X		
6. 2004	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX Medicaid

Years in Which Premiums Were Earned and Claims Were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Column 3 divided by Column 2) Percent	5 Claim and Claim Adjustment Expense Payments (Columns 2 + 3)	6 (Column 5 divided by Column 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Columns 5 + 7 + 8)	10 (Column 9 divided by Column 1) Percent
1. 2000										
2. 2001	227,755,755	153,043,724			153,043,724	67.196			153,043,724	67.196
3. 2002	116,527,239	90,553,063			90,553,063	77.710			90,553,063	77.710
4. 2003										
5. 2004										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves												
2. Additional policy reserves (a)												
3. Reserve for future contingent benefits												
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)												
5. Aggregate write-ins for other policy reserves												
6. Totals (gross)												
7. Reinsurance ceded												
8. Totals (Net) (Page 3, Line 4)												
CLAIM RESERVE												
9. Present value of amounts not yet due on claims												
10. Reserve for future contingent benefits												
11. Aggregate write-ins for other claim reserves												
12. Totals (gross)												
13. Reinsurance ceded												
14. Totals (Net) (Page 3, Line 7)												
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page												
0599. Totals (Line 0501 through Line 0503 plus Line 0598) (Line 5 above)												
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page												
1199. Totals (Line 1101 through Line 1103 plus Line 1198) (Line 11 above)												

NONE

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ for occupancy of own building)		118,944	455,743		574,687
2. Salaries, wages and other benefits		2,562,318	9,139,250		11,701,568
3. Commissions (less \$ ceded plus \$ assumed)					
4. Legal fees and expenses			112,889		112,889
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services		334,687	5,064,957		5,399,644
7. Traveling expenses		1,656	183,024		184,680
8. Marketing and advertising					
9. Postage, express, and telephone		11,402	714,465		725,867
10. Printing and office supplies		17,017	639,015		656,032
11. Occupancy, depreciation and amortization					
12. Equipment		20,234	638,155		658,389
13. Cost or depreciation of EDP equipment and software			1,191,557		1,191,557
14. Outsourced services including EDP, claims, and other services					
15. Boards, bureaus and association fees			58,194		58,194
16. Insurance, except on real estate			235,111		235,111
17. Collection and bank service charges			33,238		33,238
18. Group service and administration fees					
19. Reimbursements by uninsured accident and health plans					
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses					
22. Real estate taxes					
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes					
23.3 Regulator authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)					
24. Investment expenses not included elsewhere					
25. Aggregate write-ins for expenses		17,716	(28,874,188)		(28,856,472)
26. Total expenses incurred (Line 1 to Line 25)		3,083,974	(10,408,590)		(a) (7,324,616)
27. Less expenses unpaid December 31, current year			4,886,796		4,886,796
28. Add expenses unpaid December 31, prior year			1,497,029		1,497,029
29. Amounts receivable relating to uninsured accident and health plans, prior year					
30. Amounts receivable relating to uninsured accident and health plans, current year					
31. Total expenses paid (Line 26 minus Line 27 plus Line 28 minus Line 29 plus Line 30)		3,083,974	(13,798,357)		(10,714,383)
DETAILS OF WRITE-INS					
2501. ASO Revenue			(30,286,049)		(30,286,049)
2502. Other Expense		17,716	1,411,861		1,429,577
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Line 2501 through Line 2503 plus Line 2598) (Line 25 above)		17,716	(28,874,188)		(28,856,472)

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U. S. Government bonds	(a) 156,926	143,138
1.1 Bonds exempt from U. S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 104,468	104,468
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	261,394	247,606
11. Investment expenses		(g)
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Totals deductions (Line 11 through Line 15)		
17. Net investment income (Line 10 minus Line 16)		247,606
DETAILS OF WRITE-INS		
0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Line 1501 through Line 1503 plus Line 1598) (Line 15 above)		
(a) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(f) Includes \$ accrual of discount less \$ amortization of premium.	
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.	(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.	
(c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.	(h) Includes \$ interest on surplus notes and \$ interest on capital notes.	
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.	(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.	
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.		

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1. U. S. Government bonds				
1.1 Bonds exempt from U. S. tax				
1.2 Other bonds (unaffiliated)				
1.3 Bonds of affiliates				
2.1 Preferred stocks (unaffiliated)				
2.11 Preferred stocks of affiliates				
2.2 Common stocks (unaffiliated)				
2.21 Common stocks of affiliates				
3. Mortgage loans				
4. Real estate				
5. Contract loans				
6. Cash, cash equivalents and short-term investments				
7. Derivative instruments				
8. Other invested assets				
9. Aggregate write-ins for capital gains (losses)				
10. Total capital gains (losses)				
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)				

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1) , cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivable for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Line 1 to Line 9)			
11. Investment income due and accrued			
12. Premiums and considerations:			
12.1 Uncollected premiums and agents' balances in the course of collection			
12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
12.3 Accrued retrospective premiums			
13. Reinsurance:			
13.1 Amounts recoverable from reinsurers			
13.2 Funds held by or deposited with reinsured companies			
13.3 Other amounts receivable under reinsurance contracts			
14. Amounts receivable relating to uninsured plans			
15.1 Current federal and foreign income tax recoverable and interest thereon			
15.2 Net deferred tax asset			
16. Guaranty funds receivable or on deposit			
17. Electronic data processing equipment and software	976,599	1,725,392	748,793
18. Furniture and equipment , including health care delivery assets	149,992	214,217	64,225
19. Net adjustment in assets and liabilities due to foreign exchange rates			
20. Receivable from parent, subsidiaries and affiliates			
21. Health care and other amounts receivable			
22. Other assets nonadmitted			
23. Aggregate write-ins for other than invested assets	442,019	384,815	(57,204)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23)	1,568,610	2,324,424	755,814
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Line 24 and Line 25)	1,568,610	2,324,424	755,814
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above)			
2301. Pre Paid Exp	345,019	374,815	29,796
2302. Provider Advance	97,000	10,000	(87,000)
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above)	442,019	384,815	(57,204)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	194,981	197,528	196,903	196,040	193,868	2,314,367
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. Total	194,981	197,528	196,903	196,040	193,868	2,314,367
DETAILS OF WRITE-INS						
0601						
0602						
0603						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above)						

NOTES TO FINANCIAL STATEMENTS

Annual Statement for the Year 2004 of Memphis Managed Care Corporation

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Memphis Managed Care Corporation (MMCC) (The Company) have been prepared in accordance with the NAIC Accounting Practice and Procedure Manual or as permitted by the Tennessee Department of Commerce and Insurance (TDCI)

The company, at the direction of the Commissioner of Insurance of the State of Tennessee for the period January 1, 2004 – December 31, 2004, on report #2A records claims reimbursements and administrative reimbursements as premiums, instead of netting them against claims and general administrative expenses respectively as required by SAP. Claims reimbursements for the period totaled \$340,504,256 while administrative reimbursements totaled \$32,785,080.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practice and Procedures manual requires the use of management’s estimates and assumptions that affect reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts and expenses during the period. Actual results could differ from those estimates.

- 1) Short-term investments are stated at amortized cost.
- 2) Bonds are stated at amortized cost using the effective interest method.
- 3) The company does not hold common stock.
- 4) The company does not hold preferred stock.
- 5) The company does not hold mortgage loans.
- 6) The company does not hold loan-backed securities.
- 7) The company does not hold investments in subsidiaries, controlled and affiliated companies.
- 8) The company does not have minor ownership interests in joint ventures.
- 9) The company does not carry derivatives.

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and or errors

N/A

NOTES TO FINANCIAL STATEMENTS

-
3.

Business Combinations and Goodwill
- A.

Statutory Purchase Method

N/A
- B.

Merger

N/A
- C.

Impairment Loss

N/A
4.

Discontinued Operations

N/A
5.

Investments
- A.

Mortgage Loans

N/A
- B.

Debt Restructuring

N/A
- C.

Reverse Mortgages

N/A
- D.

Loan Backed Securities

N/A
- E.

Repurchase Agreements

N/A
6.

Joint Ventures, Partnerships and Limited Liability Companies

N/A
7.

Investment Income
- A.

N/A
- B.

Total Amount excluded was \$0
8.

Derivative Instruments
9.

Income Tax
- A.

Components of net deferred income tax asset or liability

N/A
- B.

DTLs not recognized

N/A

NOTES TO FINANCIAL STATEMENTS

	C.	Significant components of income taxes incurred	
			N/A
	D.	Significant reconciling items of income taxes incurred	
			N/A
	E(1).	Operating loss and tax credit carry forwards	
			N/A
	E(2).	Recoupment of Income taxes available in the event of future losses	
			N/A
	F	Consolidated federal Income tax return	
			N/A
10.		Information Concerning Parent, Subsidiaries and Affiliates	
	A.	The company is jointly owned by The Regional Medical Center (The Med) & University of Tennessee Medical Group (UTMG).	
	B.	Description of transactions	
			N/A
	C.	Dollar amount of Transactions	
			N/A
	D.	The company reported \$381,112 due from The Med for MedCall & MRI services rendered.	
	E.	Guarantees or undertakings for the benefit of an affiliate	
			N/A
	F.	Description of any material management contracts with related parties	
			N/A
	G.	Ownership in the company is 50% The Med, 50% UTMG	
	H.	Amount deducted from the value of an upstream intermediate entity	
			N/A
	I.	Investment in SCA in excess of SCA entity	
			N/A
	J.	Investment in SCA entity	
			N/A
11.		Debt	

NOTES TO FINANCIAL STATEMENTS

	A.	Capital Notes	
			N/A
	B.	Other Debt	
			N/A
12.	Retirement Plans, Deferred Compensation, Post employment Benefits and compensated Absences and other Postretirement Benefit Plans		
	B.	Defined Contribution Plan	
			N/A
	C.	Multiemployer Plans	
			N/A
	D.	Consolidated/Holdings Company Plans	
			N/A
	E.	Post employment Benefits and Compensated Absences	
			N/A
13.	Capital and Surplus, Shareholders' Dividend Restrictions and Quasi Reorganizations.		
		1)	The company had no Surplus Notes Outstanding as of 12-31-04
		2)	The company has no preferred stock outstanding
		3)	Dividend Restrictions – N/A
		4)	Restrictions on unassigned Funds – None
		5)	The State of Tennessee requires the company to hold statutory deposits in the amount of 2,955,000
		6)	For mutuals, and similarly organized companies the total amount of advances to surplus not repaid. – N/A
		7)	Total Amount of Stock Held by the company – N/A
		8)	Changes in special surplus funds – N/A
		9)	Portion of unassigned funds (surplus) represented or reduced by each of the following items:
		a.	Unrealized gains and losses - N/A
		b.	Nonadmitted assets 1,568,610
		c.	Stock purchase warrants N/A
		10)	Surplus Notes
		11)	Impact of the restatement in quasi reorganization – N/A
		12)	Effective Date of a quasi reorganization – N/A
14.	Contingencies		
	A.	Contingent Commitments	
			N/A
	B.	Assessments	

NOTES TO FINANCIAL STATEMENTS

N/A

C. Gain Contingencies

N/A

D. All Other Contingencies

Contingent Liabilities –

The Company is insured with respect to malpractice and other professional liabilities. The malpractice and professional liability insurance coverages . No malpractice or other professional liability claims have been asserted against the company, no reserves have been recorded in the accompanying statements of admitted assets, liabilities and net worth.

In the normal course of business third parties assert claims against the Company pertaining to various aspects of its operations. As of December 31, 2004, the only such claims asserted arose from medical service providers seeking additional reimbursement for services rendered to the Company’s enrolled members during the Non Risk period. Management believes the amounts accrued for medical expenses are adequate to cover any such claims. These claims are not expected to have a material financial impact on the Company’s financial condition or the results of its operations.

15. Leases

A. Disclosures related to lessee leasing arrangements

N/A

B. Disclosures related to lessor leasing arrangements

N/A

16. Off Balance Sheet risk

- 1) The company has no financial instruments with off balance sheet risk.
- 2) The company does not use swaps, futures or options.
- 3) The company has no financial instruments with off balance sheet risk, and no counter party exposure.
- 4) The company has on financial instruments subject to credit risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfer of Receivables reported as Sales

N/A

B. Transfer and Servicing of financial Assets

N/A

C. Wash Sales

N/A

18. Gain or Loss to the company from Uninsured A&H Plans and Uninsured Portion of Partially Insured Plans

A. ASO Plan

NOTES TO FINANCIAL STATEMENTS

The Gain from Operations from ASO uninsured plans and uninsured portion of partially insured plans was as follows during 2004:

	(1)	(2)	(3)
	ASO Uninsured Plan	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of Actual Expenses	7,324,616		7,324,616
b. Total Net Other Income or Expenses (Including Interest paid to or received from plans)	1,030,827		1,030,827
c. Net Gain or Loss from Operations	8,355,445		8,355,445
d. Total Claim Payment Volume	340,504,256		

B. ASO Plan

N/A

C. Medicare or Other Similarly structured cost based reimbursement Contact:

N/A

19. Direct Premium Written/Produced by managing general agents/third Party Administrators

N/A

20. Other Items

A. Extraordinary Items

N/A

B. Troubled Debt Restructuring

N/A

C. Other Disclosures

None

21. Events Subsequent

N/A

22. Reinsurance

N/A

23. Retrospectively Rated Contracts

N/A

24. Organization and Operations

NOTES TO FINANCIAL STATEMENTS

Memphis Managed Care Corporation was incorporated as a non-profit organization in 1993. The board of directors has equal representation from both The Med and UTMG (owners).

25. Salvage and Subrogation
- N/A
26. Change in Incurred Claims and Claim Adjustment Expense
27. Minimum Net Worth

The company must maintain the larger of the minimum net worth of \$1,500,000 or 4% of the first \$150,000,000 in premium and 1.5% in excess of that amount, as reported on the most recent annual statement filed with the Tennessee Department of Commerce and Insurance.

	Net Premium Revenue		Calculated Requirement
Up To 150,000,000	150,000,000.00	4%	6,000,000.00
>150,000,000	239,304,478.28	1.5%	3,589,567.17
Total	396,665,509.00		9,589,567.17

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	3,203,495	14.987	3,203,495	14.986
1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies				
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA				
1.512 Issued or guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds				
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (includes \$ of property acquired in satisfaction of debt)				
5.3 Property held for sale (\$ including property acquired in satisfaction of debt)				
6. Policy loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	18,172,205	85.013	18,172,805	85.014
9. Other invested assets				
10. Total invested assets	21,375,700	100.000	21,376,300	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes () No (X)
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner , Director or Superintendent , or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes () No () N/A (X)
- 1.3

State Regulating?

.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes () No (X)
- 2.2

If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

07/31/2001
- 3.2

State the as of date of the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

03/31/2001
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date) .

10/31/2002
- 3.4

By what department or departments?
.....
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes () No (X)

4.12

renewals?

Yes () No (X)
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes () No (X)

4.22

renewals?

Yes () No (X)
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes () No (X)
- 5.2

If yes, provide name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes () No (X)
- 6.2

If yes, give full information:
.....
.....
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes () No (X)
- 7.2

If yes,

7.21

State the percentage of foreign control;

..... %

7.22

State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g. individual, corporation, government, manager or attorney-in-fact) .

1 Nationality	2 Type of Entity
.....
.....
.....

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes () No (X)
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes () No (X)
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

<div>1</div> <div>Affiliate Name</div>	<div>2</div> <div>Location (City, State)</div>	<div>3</div> <div>FRB</div>	<div>4</div> <div>OCC</div>	<div>5</div> <div>OTS</div>	<div>6</div> <div>FDIC</div>	<div>7</div> <div>SEC</div>

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Watkins and Uberall
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
11.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 11.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 11.2

Does this statement contain all business transacted for the reporting entity through its United States branch on risks wherever located?

Yes (X) No ()
- 11.3

Have there been any changes made to any of the trust indentures during the year?

Yes () No (X)
- 11.4

If answer to (11.3) is yes, has the domiciliary or entry state approved the changes?

Yes () No () N/A (X)

BOARD OF DIRECTORS

12.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes (X) No ()
13.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes (X) No ()
14.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees, or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes () No (X)

FINANCIAL

- 15.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

15.11

To directors or other officers

\$

15.12

To stockholders not officers

\$

15.13

Trustees, supreme or grand (Fraternal only)

\$
- 15.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

15.21

To directors or other officers

\$

15.22

To stockholders not officers

\$

15.23

Trustees, supreme or grand (Fraternal only)

\$
- 16.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes () No (X)
- 16.2

If yes, state the amount thereof at December 31 of the current year:

16.21

Rented from others

\$

16.22

Borrowed from others

\$

16.23

Leased from others

\$

16.24

Other

\$
- Disclose in Notes to Financial Statements the nature of each obligation.
- 17.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes () No (X)
- 17.2

If answer is yes:

17.21

Amount paid as losses or risk adjustment

\$

17.22

Amount paid as expenses

\$

17.23

Other amounts paid

\$

GENERAL INTERROGATORIES

INVESTMENT

18. List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price if Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
Preferred	Yes () No ()	Yes () No ()
Common	X X X	X X X X X X	X X X X X X

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes () No (X)

19.2 If no, give full and complete information relating thereto:
.....
.....

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1) Yes () No (X)

20.2 If yes, state the amount thereof at December 31 of the current year:

20.21 Loaned to others

20.22 Subject to repurchase agreements

20.23 Subject to reverse repurchase agreements

20.24 Subject to dollar repurchase agreements

20.25 Subject to reverse dollar repurchase agreements

20.26 Pledged as collateral

20.27 Placed under option agreements

20.28 Letter stock or securities restricted as to sale

20.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

20.3 For category (20.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes () No (X)

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes () No () N/A (X)
If no, attach a description with this statement.

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes () No (X)

22.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes () No (X)

23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian (s)</div>	<div>2</div> <div>Custodian's Address</div>
.....
.....
.....

23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>3</div> <div>Complete Explanation(s)</div>
.....
.....
.....

23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year? Yes () No (X)

23.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....
.....
.....

23.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>3</div> <div>Address</div>
.....
.....
.....

24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes () No (X)

24.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP#</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
.....
.....
.....
Line 24.2998 from Overflow page
Line 24.2999 TOTAL (9999999)

24.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
.....
.....
.....

GENERAL INTERROGATORIES

INVESTMENT

25. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value of statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) , or Fair Value over Statement (+)
25.1 Bonds	\$	\$	\$
25.2 Preferred stocks	\$	\$	\$
25.3 Totals	\$	\$	\$

25.4 Describe the sources or methods utilized in determining the fair values:

.....

.....

26.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes () No (X)

26.2 If no, list exceptions:

.....

.....

OTHER

27.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.....

27.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1	2
Name	Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

28.1 Amount of payments for legal expenses, if any? \$

28.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

29.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1	2
Name	Amount Paid
.....	\$
.....	\$
.....	\$
.....	\$

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes () No (X)

1.2

If yes, indicate premium earned on U. S. business only.

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding:

.....

.....

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

.....

All years prior to most current three years:

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

.....

All years prior to most current three years:

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

.....

2.

Health Test:

2.1

Premium Numerator

\$

\$

2.2

Premium Denominator

\$

\$

2.3

Premium Ratio (2.1 / 2.2)

.....

.....

2.4

Reserve Numerator

\$

\$

2.5

Reserve Denominator

\$

\$

2.6

Reserve Ratio (2.4 / 2.5)

.....

.....

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes () No (X)

3.2

If yes, give particulars:

.....

.....

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes () No (X)

4.2

If not previously filed furnish herewith a copy(ies) of such agreement(s) . Do these agreements include additional benefits offered?

Yes () No (X)

5.1

Does the reporting entity have stop-loss reinsurance?

Yes (X) No ()

5.2

If no, explain:

.....

.....

5.3

Maximun retained risk (see instructions)

5.31

Comprehensive Medical

\$

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

.....

.....

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes (X) No ()

7.2

If no, give details:

.....

.....

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

.....

8.2

Number of providers at end of reporting year

.....

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes () No (X)

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

\$

9.22

Business with rate guarantees over 36 months

\$

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes () No (X)

10.2

If yes:

10.21

Maximum amount payable bonuses

\$

10.22

Amount actually paid for year bonuses

\$

10.23

Maximum amount payable withholds

\$

10.24

Amount actually paid for year withholds

\$

11.1

Is the reporting entity organized as:

11.12

A Medical Group / Staff Model,

Yes () No (X)

11.13

An Individual Practice Association (IPA) , or

Yes () No (X)

11.14

A Mixed Model (combination of above)?

Yes () No (X)

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes (X) No ()

11.3

If yes, show the name of the state requiring such net worth.

..... Tennessee

11.4

If yes, show the amount required.

\$ 9,600,000

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes () No (X)

11.6

If the amount is calculated, show the calculation

.....

.....

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
SHELBY
NORTH WEST TN
SOUTH WEST TN

FIVE - YEAR HISTORICAL DATA

	1	2	3	4	5
	2004	2003	2002	2001	2000
BALANCE SHEET ITEMS (Page 2 and Page 3)					
1. Total admitted assets (Page 2, Line 26)	26,142,734	14,504,707	13,685,008	56,372,281	23,071,032
2. Total liabilities (Page 3, Line 22)	5,023,796	1,487,029	8,546,983	42,733,701	18,694,809
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 30)	21,118,938	13,017,478	5,138,028	13,638,584	6,376,225
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 8)		1,100,424	116,527,239	227,896,501	132,863,647
6. Total medical and hospital expenses (Line 18)		(3,217,356)	115,826,367	202,788,761	119,506,911
7. Claims adjustment expenses (Line 20)	3,083,974				
8. Total administrative expenses (Line 21)	(10,408,590)	(12,135,658)	3,344,259	18,507,972	10,993,801
9. Net underwriting gain (loss) (Line 24)	7,324,616	13,476,694	(3,225,638)	9,078,006	2,362,935
10. Net investment gain (loss) (Line 27)	247,606	105,122	1,108,039	1,496,619	1,252,057
11. Total other income (Line 28 plus Line 29)	783,223		456,078	180,526	
12. Net income or (loss) (Line 32)	8,355,445	13,581,816	(1,661,521)	10,755,151	3,616,992
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	21,118,938	13,017,478	5,138,028	13,638,584	6,376,225
14. Authorized control level risk-based capital	16,261,582	10,023,458	3,956,281	10,501,710	4,890,693
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	193,868	194,981	191,307	172,182	86,761
16. Total members months (Column 6, Line 7)	2,314,367	2,314,367	1,522,075	918,088	708,763
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Line 2, Line 3, and Line 5) X 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Line 3 plus Line 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)			99.4	100.0	100.0
19. Cost containment expenses		X X X	X X X	X X X	X X X
20. Other claims adjustment expenses					
21. Total underwriting deductions (Line 23)			102.8	0.9	1.0
22. Total underwriting gain (loss) (Line 24)			(2.8)	1.0	1.0
UNPAID CLAIMS ANALYSIS (U and I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 12, Column 5)		(103,720)	45,065,170	13,821,920	12,229,912
24. Estimated liability of unpaid claims of prior year (Line 12, Column 6)		3,113,636	40,457,145	13,821,920	12,229,912
INVESTMENTS IN PARENT, SUBSIDIARIES, AND AFFILIATES					
25. Affiliated bonds (Schedule D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Schedule D Summary, Line 39, Column 1)					
27. Affiliated common stocks (Schedule D Summary, Line 53, Column 2)					
28. Affiliated short-term investments (subtotal included in Schedule DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Line 25 to Line 30					

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	3,203,495	3,203,495	3,210,212	3,200,000
	2. Canada				
	3. Other Countries				
	4. Totals	3,203,495	3,203,495	3,210,212	3,200,000
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals				
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	3,203,495	3,203,495	3,210,212	3,200,000
PREFERRED STOCKS					
Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS					
Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	3,203,495	3,203,495	3,210,212	

SCHEDULE D - VERIFICATION BETWEEN YEARS

1. Book/adjusted carrying value of bonds and stocks , prior year	2,968,950	6. Foreign Exchange Adjustment:	
2. Cost of bonds and stocks acquired, Column 7, Part 3	2,641,531	6.1 Column 15, Part 1	
3. Increase (decreased) by adjustment:		6.2 Column 19, Part 2, Section 1	
3.1 Column 12 plus Column 13 minus Column 14, Part 1		6.3 Column 16, Part 2, Section 2	
3.2 Column 18, Part 2, Section 1		6.4 Column 15, Part 4	
3.3 Column 15, Part 2, Section 2		7. Book/adjusted carrying value at end of current period	3,203,495
3.4 Column 14, Part 4	(6,986)	8. Total valuation allowance	
4. Total gain (loss), Column 19, Part 4		9. Subtotal (Line 7 plus Line 8)	3,203,495
5. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	2,400,000	10. Total nonadmitted amounts	
		11. Statement value of bonds and stocks, current period	3,203,495

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1	2	Direct Business Only					
			3	4	5	6	7	8
	Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employee Health Benefits Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums
1. Alabama	AL							
2. Alaska	AK							
3. Arizona	AZ							
4. Arkansas	AR							
5. California	CA							
6. Colorado	CO							
7. Connecticut	CT							
8. Delaware	DE							
9. District of Columbia	DC							
10. Florida	FL							
11. Georgia	GA							
12. Hawaii	HI							
13. Idaho	ID							
14. Illinois	IL							
15. Indiana	IN							
16. Iowa	IA							
17. Kansas	KS							
18. Kentucky	KY							
19. Louisiana	LA							
20. Maine	ME							
21. Maryland	MD							
22. Massachusetts	MA							
23. Michigan	MI							
24. Minnesota	MN							
25. Mississippi	MS							
26. Missouri	MO							
27. Montana	MT							
28. Nebraska	NE							
29. Nevada	NV							
30. New Hampshire	NH							
31. New Jersey	NJ							
32. New Mexico	NM							
33. New York	NY							
34. North Carolina	NC							
35. North Dakota	ND							
36. Ohio								
37. Oklahoma								
38. Oregon								
39. Pennsylvania								
40. Rhode Island								
41. South Carolina								
42. South Dakota								
43. Tennessee								
44. Texas								
45. Utah								
46. Vermont	VT							
47. Virginia	VA							
48. Washington	WA							
49. West Virginia	WV							
50. Wisconsin	WI							
51. Wyoming	WY							
52. American Samoa	AS							
53. Guam	GU							
54. Puerto Rico	PR							
55. U.S. Virgin Islands	VI							
56. Canada	CN							
57. Aggregate other alien	XXX	XXX						
58. Total (Direct Business)	XXX	(a)						
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX						
5799. Total (Line 5701 through Line 5703 plus Line 5798) (Line 57 above)	XXX	XXX						
Explanation of basis of allocation by states, premiums by state, etc.								

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

PART 1 - ORGANIZATIONAL CHART

NONE

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	594,638	2,369,087	2,314,367
REVENUES:			
1 TennCare Capitation	92,198,383	366,975,393	390,132,800
2 Investment	77,840	247,606	105,122
3 Other Revenue	231,427	764,874	612,321
4 Total Revenue	92,507,650	367,987,873	390,850,243
EXPENSES:			
Medical and Hospital Services			
5 Capitated Physician Services	3,001,807	11,513,525	8,751,796
6 Fee for Service Physician Services	23,015,512	89,264,441	82,943,545
7 Inpatient Hospital Services	17,782,984	73,923,828	91,135,553
8 Outpatient Services	10,839	270,682	7,779,504
9 Emergency Room Services	5,902,918	23,979,250	26,460,811
10 Mental Health Services	6,534	34,970	69,821
11 Dental Services	266	49,461	79,315
12 Vision Services	615,117	2,618,960	2,619,864
13 Pharmacy Services	5,046	37,822	37,134,086
14 Home Health Services	1,027,549	2,983,935	2,173,402
15 Chiropractic Services	-	-	-
16 Radiology Services	2,338,768	10,509,469	10,919,284
17 Laboratory Services	2,763,116	10,309,176	8,830,226
18 Durable Medical Equipment Services	1,268,838	7,271,374	8,170,922
19 Transportation Services	710,724	4,441,843	3,273,899
20 Outside Referrals	-	-	-
21 Medical incentive Pool and Withhold Adjustments	-	-	-
22 Occupancy Depreciation and Amortization	-	-	-
23 Other Medical and Hospital Services	25,450,128	97,558,604	66,639,586
24 Subtotal	83,900,146	334,767,340	356,981,615
25 Reinsurance Expense Net of Recoveries	766,323	2,696,067	3,336,200
LESS:			
26 Copayments	-	-	-
27 Subrogation	35,238	304,885	305,517
28 Coordination of Benefits	731	487,529	182,585
29 Subtotal	35,968	792,414	488,103
30 TOTAL MEDICAL AND HOSPITAL	84,630,501	336,670,993	359,829,713
Administration			
31 Compensation	2,651,969	9,779,655	8,929,412
32 Marketing	18,641	83,143	44,491
33 Interest Expense	-	-	1,033,669
34 Premium Tax Expense	-	-	-
35 Occupancy Depreciation and Amortization	259,320	1,191,557	1,235,310
36 Other Administration	2,734,837	11,907,077	6,195,833
37 TOTAL ADMINISTRATION	5,664,768	22,961,433	17,438,714
38 TOTAL EXPENSES	90,295,269	359,632,426	377,268,427
39 NET INCOME (LOSS)	2,212,381	8,355,447	13,581,815

Memphis Managed Care Corp
Reconciliation of Report 2A to MFT

		Service Dates < 1/01/04	Service Dates 1/01/04 - 12/31/04	TOTAL
PER MFT Report	Paid 2004	42,253,408.00	298,250,848.24	340,504,256.24
	IBNR	82,697.00	38,420,145.18	38,502,842.18
			336,670,993.42	
Per Report 2A			336,670,993.00	